Supreme Court, U.S.
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No.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1997

**EVANS COOLING SYSTEMS, INC.
and PATENT ENFORCEMENT FUND, INC.,**

Petitioners,

v.

GENERAL MOTORS CORPORATION,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Can a patent be invalidated by a party who surreptitiously and fraudulently steals an invention while it is a trade secret and puts the invention on sale more than one year before the inventor files a patent application?

LIST OF PARTIES AND RULE 29.6 STATEMENT

The parties to the proceeding are the parties shown in the caption of this Petition. The following are parent companies, subsidiaries and/or affiliates (except wholly owned subsidiaries) of certain corporate petitioners: Patent Enforcement Fund, Inc. is a subsidiary of Valutron N.V.

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PETITION FOR WRIT OF CERTIORARI

Petitioners (hereinafter "Evans") respectfully pray that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Federal Circuit, entered in Case No. 97-1146 pursuant to its opinion dated September 16, 1997.

OPINIONS BELOW

The Opinion of the Court of Appeals for the Federal Circuit dated September 16, 1997 is reported at 125 F.3d 1448, and is reprinted in the Appendix at App. 1.

The Opinion of the United States District Court for the District of Connecticut (Chatigny, J.) dated September 30, 1996 is reported at 939 F.Supp. 154, and is reprinted in the Appendix at App. 14.

The judgment of the United States District Court for the District of Connecticut dated November 4, 1996 is reprinted in the Appendix at App. 19.

JURISDICTION

The judgment of the Court of Appeals for the Federal Circuit was entered on September 16, 1997. This Court has jurisdiction under 28 U.S.C. § 1254(1).

CONSTITUTIONAL PROVISION AND STATUTE INVOLVED

U.S. CONST. art. I, § 8, cl. 8

The Congress shall have Power . . . To promote the Progress of Science and Useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries. . . .

35 U.S.C. § 102

A person shall be entitled to a patent unless— . . . (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States. . . .

STATEMENT OF THE CASE

I. Nature Of The Case

This a patent infringement action brought by Evans against the Respondent, General Motors Corporation ("GM"). The District Court had jurisdiction pursuant to 28 U.S.C. § 1338(a), and the Court of Appeals for the Federal Circuit had jurisdiction of the appeal pursuant to 28 U.S.C. § 1295(a)(1).

Evans'[1] patent-in-suit, U.S. Patent No. 5,255,636 ("the '636 patent"), covers a cooling system for internal combustion engines. It issued on October 26, 1993, from an application filed on July 1, 1992. Evans alleges that GM

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[1] Petitioners, Evans Cooling Systems, Inc. and Patent Enforcement Fund, Inc., are co-owners of the patent-in-suit.

has infringed the '636 patent in the manufacture and sale of numerous automobiles, including the Chevrolet Corvette, Chevrolet Caprice, Chevrolet Camaro, Buick Roadmaster and Pontiac Firebird. Evans seeks an injunction and/or damages resulting from the infringement.

II. The Course Of Proceedings Below

After a period of discovery, GM moved for summary judgment of invalidity of the '636 patent contending that GM's sales activities and other activities regarding the 1992 Corvette more than one year before Evans filed his patent application (i.e., before the critical date of July 1, 1991) constitute on sale and public use bars under 35 U.S.C. § 102(b).

Evans responded to GM's motion for summary judgment by arguing, among other things, that GM is barred from asserting the on sale and public use bars under 35 U.S.C. § 102(b) because GM surreptitiously and fraudulently stole Evans' invention and incorporated it into the 1992 Corvette that GM contends was on sale and in public use before the critical date of July 1, 1991. In reply, GM did not contest that there is sufficient evidence to present a triable issue of fact as to whether it had misappropriated Evans' invention and used it in the 1992 Corvette. Instead, GM only argued that even if it stole the invention and incorporated it into the 1992 Corvette, it may nevertheless assert that its activities regarding the 1992 Corvette constitute on sale and public use bars under § 102(b).

The District Court, in its order dated September 30, 1996 (App. 14), granted GM's motion for summary judgment based on the on sale defense (without determining

the applicability of the alleged public use defense). The District Court's opinion did not address or mention Evans' argument that GM should be barred from asserting the on sale and public use defenses because GM stole Evans' invention.

In Evans' appeal of the District Court decision, the Court of Appeals for the Federal Circuit affirmed the District Court decision, and declined to create an "exception" to the on sale bar based on trade secret misappropriation (App. 1).

III. Statement Of Facts

A. The Technology Involved In This Case

The subject matter of the '636 patent is a reverse flow cooling system for an internal combustion engine. The coolant flows from the radiator into the cylinder heads at the top of the engine, downwardly through the engine block, and back into the radiator. The cooling system is "reverse flow" because the generally top-to-bottom coolant flow through the engine is reversed from the generally bottom-to-top coolant flow that has been the standard in the automobile industry since the beginning of mass production of automobiles.

Evans' unique configuration of a reverse flow cooling system improves cooling in the cylinder heads at the top of the engine (the hottest area of the engine) because the coolant flows from the radiator directly to the cylinder heads, and is not pre-warmed in the engine block as in conventional flow systems. As a result, Evans' reverse flow cooling system cools an automobile engine more efficiently than a conventional flow cooling system, and pro-

vides significant advantages including increased horsepower and fuel economy. GM's widespread use of Evans' reverse flow cooling system on GM's automobiles, beginning with the 1992 Corvette, has proven the value and worth of Evans' invention.

B. Evans' Development And Ownership Of The Invention As A Trade Secret

Evans conceived the invention of the '636 patent in 1984. He reduced the invention to practice when he tried it on a test car in 1986. He tested the invention on an engine dynamometer in 1987. He further tested the invention on a GM-owned Corvette in a confidential "black box" demonstration in 1989, as discussed in detail below.

Evans recorded his activities, including the development and testing of the invention, in an inventor's log book. Evans preserved the secrecy of his invention at all times by requiring all persons having contact with him and his company to sign confidentiality agreements.

C. GM's Theft Of Evans' Trade Secret

In February, 1989, GM requested that Evans demonstrate his reverse flow cooling system at GM's test facility. GM stated that the purpose of the demonstration was to compare Evans' reverse flow cooling system to conventional flow systems, and further to compare it to another cooling system (a "propylene glycol" cooling system) that Evans had designed and applied to GM vehicles over the previous several years.

Evans expressed reservations about conducting such a demonstration because his reverse flow cooling system

was a proprietary trade secret that he did not wish to disclose to GM. In response, GM stated that compliance with GM's request for demonstration of Evans' reverse flow cooling system would help "resolve" a dispute over a large receivable owed by GM to Evans' company. Evans' company, MECCA Development, Inc. ("MECCA"), had worked with GM over the previous several years on the propylene glycol cooling system, and GM owed over $800,000 to MECCA for such work. As a compromise, Evans agreed to demonstrate his reverse flow cooling system at GM's test facility on a confidential "black box" basis.

Under the confidential "black box" arrangement, Evans was to install his system on a GM Corvette at the GM test facility, and then allow the system to be tested by GM personnel to determine its efficacy. The hood of the engine was to be kept closed so that the design and configuration of the reverse flow cooling system would be shielded from the view of GM test personnel, and thus kept in a confidential "black box." At the end of the black box demonstration, Evans was to dismantle the reverse flow cooling system and return the test car's cooling system to its previous configuration.

Unbeknownst to Evans, CM's hidden agenda in requesting the black box demonstration was to provide an opportunity for GM to steal Evans' trade secret embodied in the reverse flow cooling system. GM did not disclose that, for several years, GM had been working on a secret project to develop a reverse flow cooling system for use in GM's new "Gen II" engine, which was scheduled to be introduced as the new LT1 engine in the 1992 Corvette. However, GM was having trouble making its own reverse

flow cooling system work, and needed Evans' unwitting "help" in making it work.

The motive for theft was privately communicated to Evans and his employee during the course of the 2-day black box demonstration at the GM test facility. GM technicians, who were working on the Gen II engine in a neighboring test cell at the test facility, took Evans and his employee aside and volunteered that GM engineers were developing the Gen II engine, but they could not make it work; they were getting scared regarding being able to meet the due date for gearing up to produce hardware; they needed Evans to make it work; and they are going to "take" Evans' technology. They told Evans that the GM engineers were going to "steal you blind." After the test of Evans' system proved successful, the technicians told Evans privately, "you just cut your own throat," but did not say how or why.

These startling admissions of the GM technicians are consistent with circumstantial evidence regarding the "black box" demonstration. The two-day demonstration was performed on March 16-17, 1989 at the GM test facility. After Evans and his employee installed the reverse flow cooling system on GM's test Corvette on the first day, the Corvette was supposed to be secured in a GM test cell overnight. No one but GM had access to the test cell. However, when Evans arrived at the test cell the next morning, he found that an access panel for the test cell, which had been left closed for the night, was open, indicating that someone had surreptitiously entered the test cell. The Corvette was owned by GM, and GM had access to the key codes.

After the black box demonstration was concluded, GM changed the as-yet unsuccessful design of its secret reverse flow cooling system and incorporated Evans' stolen trade secret. GM did not publicly release details about its reverse flow cooling system, as incorporated in the LT1 engine, until it released information about the 1992 Corvette in August, 1991. Evans was unaware that GM had incorporated his invention into a GM vehicle until he saw a September, 1991 article in a monthly periodical that described the cooling system for the 1992 Corvette.

D. GM's Alleged Sales Activities

GM began making and selling Evans' stolen reverse flow cooling system when GM introduced the 1992 Corvette with the LT1 engine in August and September of 1991. GM did not publicly announce or otherwise reveal the details of Evans' invention until then, which is after the critical date of July 1, 1991. GM started receiving orders for the 1992 Corvette with the LT1 engine in May and June of 1991, with production scheduled to begin in August, 1991.

In holding that Evans' invention embodied in the 1992 Corvette was offered for sale before the critical date of July 1, 1991, the Court of Appeals relied on an order placed by a customer named Aram Najarian with a GM dealer on June 13, 1991. It is undisputed that neither Mr. Najarian nor the dealer knew the details of Evans' invention in the reverse flow cooling system for the 1992 Corvette at the time Mr. Najarian placed the order.

E. Evans' Assertion Of His Rights Against GM

Notwithstanding his suspicion that GM had stolen his invention in the March, 1989 black box demonstration, Evans did not immediately file a patent application because GM repeatedly disclaimed interest in his invention, because Evans had no hard evidence of theft, and because he was financially broke.

Until September, 1991, Evans had no direct knowledge of GM's use of his reverse flow cooling system. GM had repeatedly disclaimed any interest in Evans' proprietary system in response to Evans' inquiries over a period from 1984 to May, 1989. Evans did not have any hard evidence that GM had actually stolen his invention until he read the September, 1991 article describing how his invention was to be incorporated into the 1992 Corvette.

The primary cause for Evans' financial straits from 1989 to 1992 was GM's refusal to pay a $804,000 debt owed to Evans' company, MECCA, for work done for GM. GM refused to pay the $804,000 receivable, and forced Evans to settle for $150,000 after the black box demonstration. Since GM had been the only source of income for Evans, this $654,000 compromise caused Evans and the company to go into a financial tailspin. Evans closed the company and laid off the employees. Creditors sent dunning letters and filed lawsuits to collect debts. Evans' wife pawned her engagement ring. Evans' bank threatened to foreclose on its loan and seize the assets of Evans and his company. Evans solicited investors and advised them of the proprietary reverse flow cooling system, but potential investors were scared off by the apparently imminent financial collapse of Evans and his company.

After Evans learned of GM's publication of his invention in the September, 1991 periodical describing the cooling system of the 1992 Corvette, he immediately wrote to GM to advise of his impending patent application, and to request a meeting to discuss the matter. GM ignored Evans, and shielded from Evans any information about its alleged sales activities before the critical date of July 1, 1991.

Thereafter, Evans filed the application for the '636 patent on July 1, 1992, nine months after he learned that GM had in fact stolen his invention and used it in the 1992 Corvette. Since GM did not publicly disclose or commercialize the 1992 Corvette with the LT1 engine until after July 1, 1991, Evans believed that he had timely filed his patent application to avoid any allegation that GM's sales activities would constitute an on sale bar. It is undisputed that Evans was unaware of the pre-July 1, 1991 sales activities until such activities were revealed during discovery in this action.

REASONS FOR GRANTING THE WRIT

This Court's precedent precludes invalidation of a patent by surreptitious and fraudulent theft and use of the invention. The Court of Appeals erroneously refused to accept that this Court's precedent establishes such a rule of law. Also, the Court of Appeals' decision erroneously undermines the goals of the U.S. patent laws in fostering technological growth and industrial innovation. To the contrary, the Court of Appeals' decision defeats such goals by encouraging trade secret misappropriation as a means of destroying otherwise valid patent rights. Therefore, this Court should grant a petition for a writ

of certiorari pursuant to Supreme Court Rule 10(c) to correct the errors in the Court of Appeals' decision.

I. Supreme Court Precedent Precludes Invalidation Of A Patent By Surreptitious And Fraudulent Theft And Use Of The Invention

This Court, in a series of cases decided in the 19th century, repeatedly stated that surreptitious and fraudulent use of an invention by a misappropriator of the invention cannot invalidate an inventor's patent on the invention. See *Pennock v. Dialogue*, 27 U.S. (2 Pet.) 1 (1829); *Shaw v. Cooper*, 32 U.S. (7 Pet.) 292 (1833); *Kendall v. Winsor*, 62 U.S. (21 How.) 322 (1859).

In *Pennock*, the Patent Act of 1793 authorized the issuance of patents "not known or used before the [filing of the patent] application." In discussing the statutory language, the Court stated,

> [I]f before his application for a patent his invention should be pirated by another, or used without his consent; it can scarcely be supposed that the Legislature had within its contemplation such knowledge or use . . . The use here referred to has always been understood to be a public use, and not a private or surreptitious use in fraud of the inventor.

27 U.S. at 19, 20.

In *Shaw*, the Court examined again the Patent Act of 1793, as well as the Act of 1800 extending patent rights to foreigners with the proviso that the patent shall be void if the invention "had been known or used previous to such application for a patent." The Court stated,

> But there may be cases, in which a knowledge of the invention may be surreptitiously obtained and com-

> municated to the public, that do not affect the right of the inventor. Under such circumstances no presumption can arise in favor of abandonment of the right to the public by the inventor; though an acquiescence on his part will lay the foundation for such a presumption . . . And if the invention, through fraudulent means, shall be made known to the public, he should assert his right immediately, and take the necessary steps to legalize it . . . If the right were asserted by him who fraudulently obtained it, perhaps no lapse of time could give it validity.

32 U.S. at 319, 320.

In *Kendall*, the Seventh Section of the Patent Act of 1839 was at issue. It afforded immunity from suit to prior users of a patented invention as follows,

> That every person or corporation who has or shall have purchased or constructed any newly invented machine, manufacture, or composition of matter, prior to the application of the inventor or discoverer for a patent, shall be held to possess the right to use, and vend to others to be used, the specific machine, manufacture, or composition of matter, so made or purchased, without liability therefor to the inventor or any other person interested in such invention.

The Court upheld a jury instruction providing that the defendants would have no right to continue to use the invention after issuance of the patent if the defendants obtained the invention by instigating a surreptitious act in violation of a pledge of secrecy made to the plaintiff. The Court stated,

> But whilst inventors are bound to diligence and fairness in their dealings with the public with reference to their discoveries, on the other hand, they are by obligations equally strong entitled to protection

> against frauds or wrongs practised to pirate from them the results of thought and labor, in which nearly a lifetime may have been exhausted; the fruits of more than the *viginti annorum lucubrationes*, which fruits the public are ultimately to gather. The shield of this protection has been constantly interposed between the inventor and fraudulent spoliator by the courts in England, and most signally and effectually has this been done by this court, as is seen in the cases of *Pennock & Sellers v. Dialogue*, 2 Pet. 1, and of *Shaw v. Cooper*, 7 Pet. 292.

62 U.S. at 329 (underlining added).

The later case of *Andrews v. Hovey*, 124 U.S. 694, 702-03 (1888) touched on this issue, and confirmed that a trade secret thief cannot invalidate a patent. In *Andrews*, the Court addressed the second clause of the Seventh Section of the Patent Act of 1839, which invalidated a patent if the invention had been purchased, sold or used "more than two years prior to such application for a patent." The plaintiff argued that use more than two years before the application for patent should not invalidate the patent where such use was without the knowledge, consent or allowance of the patentee. The plaintiff did not allege that such use was the result of piracy or misappropriation. To the contrary, the plaintiff himself had installed several of the patented "driven wells" on the property of third persons, and had publicly exhibited the invention, more than 2 years before filing his patent application. Thereafter, others made and used the invention, without the inventor's "consent" after learning about the prior installations.

The Supreme Court held that the patent was invalid based on public use more than two years before the application for the patent, which use was without the

consent or allowance of the inventor. However, the Court distinguished use "without consent or knowledge of the inventor" from use that derives from misappropriation of the invention, and stated,

> It may well be that a fraudulent, surreptitious and piratical purchase or construction or use of an invention prior to the application for the patent would not affect the rights of the patentee under either clause of the 7th section; but the present is not such a case as that which existed in *Kendall v. Winsor*. In the use of driven wells in public, at Cortland, by others than Green, more than two years before his application, we see nothing in the evidence under which such use can properly be characterized as fraudulent, piratical, or surreptitious.

124 U.S. at 708. Therefore, *Andrews* reaffirms the principles established in *Pennock, Shaw* and *Kendall*.

Thus, these U.S. Supreme Court cases clearly stand for the principle that, under the Patent Act, a patent cannot be invalidated by surreptitious and fraudulent theft and use of the invention.

II. The Court Of Appeals Has Not Followed The Rule Of Law Established By This Court's Precedents

The Court of Appeals in this action did not accept that this Court's precedents establish such a rule of law, and claimed that Evans was urging a "new exception" (App. 8, 13) to the on sale bar. The Court of Appeals stated that this Court's statements in *Pennock* and *Shaw* were mere dicta, and stated that *Kendall* is not on point because of a difference between the section of the Patent Act of 1839 at issue therein and § 102(b) of today's Patent Act at issue herein. The Court of Appeals relied

on the decisions of *Eastman v. Mayor of N.Y.*, 134 F. 844 (2d Cir. 1904), *Lorenz v. Colgate-Palmolive-Peet Co.*, 167 F.2d 423 (3d Cir. 1948) and *In re Martin*, 74 F.2d 951 (CCPA 1935) in declining to follow this Court's precedent.

This Court should issue a writ of certiorari to correct the error of the Court of Appeals in failing to follow this Court's precedent. While this Court's statements in *Pennock* and *Shaw* on the issue presented herein may have been dicta, this Court's decision on this issue in *Kendall* is a holding that affirmed a finding of patent infringement, and upheld a jury instruction that stated,

> That if Aldridge, under a pledge of secrecy, obtained knowledge of the plaintiff's machine—and he had not abandoned it to the public—and thereupon, at the instigation of the defendants, and with the knowledge, on their part, of the surreptitiousness of his acts, constructed machines for the defendants, they would not have the right to continue to use the same after the date of the plaintiff's letters patent.

The Court went on to expressly hold that the jury instruction was,

> in strict conformity with the principles hereinbefore propounded, and with the doctrines of [t]his court, as declared in the cases of *Pennock v. Dialogue* and *Shaw v. Cooper*.

62 U.S. at 331. Thus, notwithstanding the fact that *Kendall* addressed a provision of the Patent Act permitting a defendant to continue to use an invention after a patent issues (which is no longer in the Patent Act), rather than a statutory on sale bar, the Court, in support of its holding, resoundingly confirmed the principle that a patent cannot be invalidated by surreptitious and

fraudulent theft and use of the invention. Therefore, the Court of Appeals' decision herein is in conflict with the holding of *Kendall*.

The Court of Appeals' reliance on *Eastman*, *Lorenz* and *Martin* is unwarranted, not only because they are lower court decisions that do not justify a failure to follow this Court's precedent, but also because they are factually quite different. In *Eastman*, the court found that the facts, unlike the facts here, are similar to the facts in *Andrews*, i.e., it was not a case of "fraudulent and piratical" theft. 134 F. at 856.

In *Lorenz*, unlike here, the inventor had voluntarily disclosed his invention to a fellow employee without a pledge of secrecy 14 years before the filing of the application for the patent-in-suit. Further, the plaintiff in *Lorenz*, unlike Evans, had abandoned an earlier timely-filed patent application on his invention, which is contrary to the strictures in *Shaw* requiring an inventor to not abandon his invention.

In *Martin*, unlike here, the inventor had disclosed the invention to his employer more than 11 years before filing a patent application, and there was an agreement that he would not file any patent application except through his employer. As stated by the court in *Martin*,

> This, however, was appellant's voluntary act and affords no excuse for his not filing or causing to be filed an application for patent in time to avoid the bar of public use.

74 F.2d at 956. Thus, *Martin* is not properly relied upon here because the claimed inventor, unlike Evans here, failed to follow the strictures of *Shaw* requiring that the inventor not abandon the invention.

Here, contrary to the facts in *Eastman* and *Lorenz*, it is assumed for the purposes of this appeal that GM's theft and sale of Evans' invention has been fraudulent and piratical. Further, Evans, unlike the patentees in *Lorenz* and *Martin*, followed the strictures of *Shaw* by not abandoning his invention and by acting immediately to assert his rights after he learned of GM's use of the invention.

The Court of Appeals' decision, in relying on *Martin*, focused on the fact that GM's dealers were "innocent users who put the invention on sale by placing orders for innocent retail customers like Najarian" (App. 12). However, merely placing orders is not a "use" of the invention by either the dealers or the customers. To the contrary, there was no "use" by them of the invention during the time frame in question because the 1992 Corvette had not yet been built (it was built for customers for the first time in August, 1991, after the critical date of July 1, 1991). There had been no delivery or disclosure of the invention to dealers or customers at the time the alleged orders were being placed. Thus, during this time frame, GM is clearly the only party (other than Evans) with knowledge of the invention, and is the "guilty" party instigating the alleged offer for sale of the invention before the critical date. Therefore, the Court of Appeals' reliance on the "innocence" of dealers and customers who have not gained knowledge or possession of the invention is no basis to depart from this Court's clear pronouncements in *Pennock*, *Shaw* and *Kendall*.

The Court of Appeals wrongfully claims that Evans "knew GM stole the invention at the very time it was allegedly stolen" (App. 13). However, the District Court made no such finding, and there is no basis for such a

finding by the Court of Appeals, particularly in a summary judgment motion where inferences are to be construed in favor of the non-movant Evans. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986).

Finally, the Court of Appeals implies that Evans improperly delayed in filing his patent application "two years after the [black box] demonstration and some six years after [the invention] was reduced to practice" (App. 13). However, under this Court's precedent, such delay is permitted to test and develop the invention, *Kendall*, 62 U.S. at 328-29; *City of Elizabeth et al. v. American Nicholson Pavement Co.*, 97 U.S. 126, 137 (1878), and delay is permitted where the inventor is broke and does not abandon the invention, *Smith v. Goodyear Dental Vulcanite Co.*, 93 U.S. 486, 501 (1876) and *Woodbury Patent Planing-Machine Co. v. Keith*, 101 U.S. 479, 485-86 (1880). Thus, the Court of Appeals' decision is also inconsistent with Supreme Court precedent in this regard.

III. The Decision Of The Court Of Appeals Defeats The Goals Of Our Patent Laws Of Fostering Technological Growth And Industrial Innovation

The "true policy and ends of the patent laws enacted under this government" is to "promote the Progress of Science and Useful Arts" under U.S. CONST., art. I, § 8, cl. 8. *Kendall*, 62 U.S. (21 How.) at 328. This is consistent with the Congressional goal in creating the Court of Appeals for the Federal Circuit of strengthening the United States patent system "in such a way to foster technological growth and industrial innovation." *Markman v. Westview*, 517 U.S. 370, 116 S.Ct. 1384 (1996) (quoting from H.R. Rep. No. 97-312, pp. 20-23 (1981)).

The goals of our patent laws are consistent with the goals of our trade secret laws. As stated in *Kewannee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 481-82 (1974) (quoting from *National Tube Co. v. Eastern Tube Co.*, 3 Ohio CC NS 459, 462 (1902), aff'd, 69 Ohio St. 560, 70 N.E. 1127 (1903)),

> The maintenance of standards of commercial ethics and the encouragement of invention are the broadly-stated policies behind trade secret law. "The necessity of good faith and honest, fair dealing, is the very life and spirit of the commercial world."

These goals are insidiously undermined by allowing a trade secret thief to surreptitiously and fraudulently steal an invention and then put the invention on sale so as to invalidate any patent on the invention. There can be no justification for allowing such wrongful activity to undermine the goals of our patent laws.

The Court of Appeals' decision in this case effectively encourages such an insidious undermining of our patent laws (and trade secret laws). This Court should reverse the Court of Appeals' decision to prevent such a result. As stated in *Kewannee Oil*,

> A most fundamental right, that of privacy, is threatened when industrial espionage is condoned or made profitable; the state interest in denying profit to such illegal ventures is unchallengeable.

416 U.S. at 487.

The Court of Appeals, in justifying its rejection of Evans' contention that a trade secret thief should be barred from invalidating Evans' patent, and in admitting that "such a result may not seem fair," stated that Evans "is not without recourse" because he "would have an ade-

quate remedy in state court for misappropriation of a trade secret" (App. 13). However, Evans' right of action against GM for trade secret misappropriation does not prevent erosion of the goal of promoting technological growth and industrial innovation. Third parties, who are not subject to liability for trade secret misappropriation, receive a windfall in being permitted to practice the invention without any restrictions—a sort of unrestricted, royalty-free license. Such windfall, without any effort or technological advance by such third parties, deprives the true inventor of reaping the benefits of his own creative efforts, and is antithetical to the policies of encouraging technological growth and industrial innovation.

Further, contrary to the Court of Appeals' decision, Evans' trade secret claim is no solace for losing powerful patent rights. The very essence of a patent is the right to exclude others from making, using, offering to sell, or selling the patented invention. 35 U.S.C. §271(a); *Zenith Radio Corporation v. Hazeltine Research, Inc.*, 395 U.S. 100, 135 (1969) ("The heart of his legal monopoly is the right to invoke the State's power to prevent others from utilizing his discovery without his consent").

CONCLUSION

As repeatedly stated in the 19th Century cases discussed above, this Court has always interposed a "shield of protection" between an inventor and a fraudulent spoliator so as to foster and protect the policies of the patent laws, and to prevent injustice. In this century, this Court has continued to protect these policies of the patent laws, and prevent injustice. See *Graver Tank & Mfg. Co., Inc. v. Linde Air Products Co.*, 339 U.S. 605,

607-08 (1949) and *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.*, 117 S.Ct. 1040 (1997), where the Court twice held that the doctrine of equivalents permits a finding of infringement even when there is no literal infringement, so as to prevent a "fraud on the patent" that would "pirate an invention." *Graver Tank*, 339 U.S. at 607-08.

The Court of Appeals' decision in this action does not follow, and effectively guts, this Court's above-noted precedents. Further, it insidiously undermines the goals of both the patent laws and the trade secret laws, and encourages trade secret misappropriation as a means for invalidating a patent.

Therefore, this Court should grant this Petition for a Writ of Certiorari, and reverse the decision of the Court of Appeals in this action.

Respectfully submitted,

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Date: December 15, 1997

APPENDIX

United States Court of Appeals
for the Federal Circuit

97-1146

EVANS COOLING SYSTEMS, INC. and
PATENT ENFORCEMENT FUND, INC.

Plaintiffs-Appellants,

v.

GENERAL MOTORS CORP.

Defendant-Appellee.

Decided: September 16, 1997

Before ARCHER, *Chief Judge*, MICHEL and LOURIE, *Circuit Judges*.

MICHEL, *Circuit Judge*.

Evans Cooling Systems, Inc. and Patent Enforcement Fund, Inc. (collectively, "Evans") appeal the September 30, 1996 order of the United States District Court for the District of Connecticut granting summary judgment to General Motors Corporation ("GM") of invalidity based on the "on sale" bar under 35 U.S.C. § 102(b). The appeal was submitted for our decision after oral argument on July 1, 1997. Because there were no materially disputed questions of fact regarding whether the patented invention was offered for sale more than one year prior to the critical date and because we decline to create an exception to the on sale bar for those instances in which a

third party misappropriates the invention and later places the invention on sale or causes an innocent third party to place the invention on sale, we affirm.

BACKGROUND

United States Patent Number 5,255,636 ("the '636 patent") issued on October 26, 1993 and claims an aqueous reverse flow cooling system for internal combustion engines. An understanding of the technology is not necessary to this appeal and we therefore do not discuss it. John Evans, the named inventor, admits he conceived the patented invention in 1984 and reduced it to practice in 1986. Mr. Evans did not file a patent application, however, until July 1, 1992.

In early 1994, Evans filed the present lawsuit alleging that GM infringed the '636 patent by the manufacture and sale of cars having GM's "LT1" and "L99" engines. GM counterclaimed for a declaration of invalidity and non-infringement. GM asserted that the '636 patent was invalid because GM and its independent dealers had placed the patented invention on sale prior to the critical date with the introduction of its 1992 Corvette. Specifically, GM sent an "Order Guide" for the 1992 Corvette to its independent dealers in late April or early May, 1991 to be used for ordering the vehicle described in the Order Guide. At about the same time, GM sent its dealers a supplemental brochure that provided additional ordering information for the 1992 Corvette, specifically stating that the car had reverse flow engine cooling. A representative of GM testified that it expected the dealers would start ordering the vehicles as soon as the Order Guide was sent to them. A sales representative at a GM deal-

ership also testified that it was the dealership's common practice to order new cars and enter into agreements to sell new cars shortly after receiving the Guide. GM produced computer records documenting over 2000 orders placed by dealers around the country for the 1992 Corvette before the critical date. The orders, over 300 of which were placed on behalf of specific retail customers, were placed through a computer network and GM transmitted an acknowledgment back to the dealer after receiving the order. As a specific example, GM introduced evidence regarding a retail customer named Aram Najarian who visited a Corvette dealer in West Bloomfield, Michigan in June, 1991. Mr. Najarian entered into a contract with a GM dealer on June 13, 1991 in which GM agreed to sell and Mr. Najarian agreed to buy a Corvette with an LT1 engine. Although a firm price was not established at that time, Mr. Najarian was informed that the price would be up to $2000 higher than the 1991 model and he placed a deposit on the car at that time. The order was transmitted to GM, and GM sent back an acknowledgment on June 14, 1991.

Evans asserted before the trial court that GM should not be allowed to invalidate the '636 patent because GM, in fact, stole the invention from Evans. Specifically, GM allegedly requested that Evans demonstrate its aqueous reverse flow cooling system at GM's test facility in the spring of 1989, and Evans alleges that GM stole the invention during this demonstration.

The district court granted summary judgment in favor of GM on September 30, 1996, because the record established that GM and its dealers placed the 1992 Corvette with the LT1 engine on sale prior to the critical date. The district court relied on the facts that Mr. Najarian

entered into a contract with a GM dealer, the dealer agreed to sell and Mr. Najarian agreed to buy a 1992 Corvette, and Mr. Najarian paid a deposit and the dealer transmitted the order to GM. The court also noted that even an offer to sell will raise the on sale bar and that this transaction went beyond mere indefinite discussions about a possible sale. Turning to the policies underlying the on sale bar, the district court noted that John Evans claimed he reduced the invention to practice in 1986 but failed to file an application for some six years.

DISCUSSION

We review the district court's grant of summary judgment de novo. *Petrolite Corp. v. Baker Hughes, Inc.*, 96 F.3d 1423, 1425, 40 USPQ2d 1201, 1203 (Fed. Cir. 1996). A person is not entitled to a patent if "the invention was . . . on sale in this country, more than one year prior to the date of the application for patent in the United States." 35 U.S.C. § 102(b)(1994). In order for a patent to be invalid under this statute, the claimed invention asserted to have been on sale must be substantially completed with reason to expect it would work for its intended purpose, *Micro Chem., Inc. v. Great Plains Chem. Co.*, 103 F.3d 1538, 1545, 41 USPQ2d 1238, 1244 (Fed. Cir. 1997), must have been embodied in or obvious from the device offered for sale, and the sale must have been primarily for profit, *id.* at 1544, 41 USPQ2d 1243; *Keystone Retaining Wall Sys., Inc. v. Westrock, Inc.*, 997 F.2d 1444, 1451, 27 USPQ2d 1297, 1303 (Fed. Cir. 1993). Whether an invention was placed on sale prior to the critical date is ultimately a conclusion of law that we review de novo, although it is based on underlying facts.

Micro Chem., 103 F.3d at 1544, 41 USPQ2d at 1249; *Ferag AG v. Quipp, Inc.*, 45 F.3d 1562, 1566, 33 USPQ2d 1512, 1514-15 (Fed. Cir. 1995), *cert. denied*, 116 S. Ct. 71 (1995).

I.

GM argues, and the trial court held, that the '636 patent is invalid because the independent dealers placed the accused engine on sale to retail customers. As discussed more fully in the fact section, this argument involves the contract for sale entered into on June 13, 1991 between Mr. Najarian and Jack Cauley Chevrolet, Inc., which had received the 1992 Corvette Order Guide and a brochure containing ordering information for the 1992 Corvette and the LT1 engine around April 30, 1991.

Evans makes no argument that the LT1 engine in the 1992 Corvette was not substantially complete. Nor does Evans argue that the pre-critical date sales were for a non-commercial purpose.

Evans does, however, argue that summary judgment was inappropriate because GM did not meet its burden of proving by clear and convincing evidence that the engine of the 1992 Corvette anticipated the claims of the '636 patent. Although GM conceded infringement for purposes of the summary judgment motion, it denied infringement in its answer and stated in sworn answers to interrogatories that the claims of the '636 patent were not infringed because the LT1 engine lacked certain elements of the claims. Evans argues, therefore, that GM has necessarily admitted, or at least created a genuine issue of material fact, that the engine of the 1992 Corvette does not anticipate any of the asserted claims.

We do not agree. This is not the typical case where the patentee has placed some device on sale prior to the critical date and the accused infringer must demonstrate that this device actually embodied or rendered obvious the patented invention. Here, the entire basis of the lawsuit is Evans'—the patentee's—contention that the LT1 engine—the device that was put on sale—contains a cooling system that infringes. GM denied that the LT1 engine infringed the '636 patent but, by conceding infringement for purposes of the summary judgment and its on sale defense, properly pled in the alternative. *See* Fed. R.Civ.P. 8(e) (1997) ("A party may set forth two or more statements of a claim or defense alternatively or hypothetically, either in one count or defense or in separate counts or defenses."). Although GM bore the burden of proving that the LT1 engine embodied the patented invention or rendered it obvious for purposes of the summary judgment motion, this burden is met by Evans' allegation, forming the sole basis for the complaint, that the LT1 engine infringes. Indeed, even on appeal, Evans states in its brief, directed only to the on sale issue, that "GM uses an aqueous reverse flow cooling system in its LT1 engine."

Evans also argues, in effect, that there was no "sale" or offer for sale of the LT1 engine. Evans argues that, based on the totality of the circumstances, a reasonable jury could conclude that "the Najarian 'order' was an advance, non-binding order, cancelable by either party, that was not finalized until after July 1, 1991" and that it was void to the extent that it was an offer for sale. We have often stated that the totality of the circumstances and the policies underlying the bar must be considered in determining whether a definite offer for sale trigger-

ing section 102(b) has been made. *See, e.g., Envirotech Corp. v. Westech Eng'g Inc.*, 904 F.2d 1571, 1574, 15 USPQ2d 1230, 1232 (Fed. Cir. 1990). However, where there is a specific and definite offer for sale of a successfully tested device, such as that evidenced by a completed contract for sale, that embodies every limitation of the later patented invention as claimed prior to the critical date and that sale is clearly for commercial purposes, the analysis need not go any further. It is not that the totality of the circumstances test is not to be applied in such a case, but that there are then no circumstances, short of fraud or duress, that could turn such an offer into something other than a barring event.

Even if we were otherwise to consider the totality of the circumstances, Evans' relevant arguments on this point are easily discarded. Evans argues that Mr. Najarian's order is ineffective as a sale because it stated that "[a]ny provisions of this order prohibited by Michigan or Federal law shall be ineffective to the extent of such prohibition" and the Federal Fuel Economy Regulations and the Clean Air Act prohibited any offer for sale as of this date because GM had not yet received fuel economy labels or a Certificate of Conformity from the EPA. Even assuming this to be the case, the mere fact that the offer for sale was illegal or ineffective does not remove it from the purview of the section 102(b) bar. Jack Cauley Chevrolet thought it was offering to sell a 1992 Corvette to Mr. Najarian and Mr. Najarian thought he was agreeing to buy such a car. Moreover, there is no evidence that Mr. Najarian did not receive the car or that the offer was actually invalidated. Likewise, neither the fact that the price was not firm nor that the color had not been chosen avoids the section 102(b) bar. Mr. Najarian was given an

estimated price range and it is not uncommon for car buyers to change their minds about the desired color. Similarly, the fact that the contract was cancelable or changeable under certain circumstances does not mean that it does not evidence a definite offer for sale. Finally, even if the independent dealership violated internal procedures by offering the 1992 Corvette for sale prior to the model announcement date GM had set, this does not make the offer for sale any less an offer.

Thus, we hold that the order entered into by Mr. Najarian and Jack Cauley Chevrolet on June 13, 1991—nearly a month prior to the critical date—evidences an effective offer for sale that invalidates the '636 patent. Although GM also argues that the '636 patent is invalid because GM placed the reverse flow cooling system in its engines on sale when it sent the Order Guide and supplemental information brochure to its dealers across the country in late April or early May of 1991, we do not reach or decide that issue here. *See Intel Corp. v. International Trade Comm'n*, 946 F.2d 821, 829, 20 USPQ2d 1161, 1169 (Fed. Cir. 1991) ("A single sale or offer to sell is enough to bar patentability.").

II.

Although our analysis would normally be complete once we had concluded there was an invalidating offer for sale, Evans urges this court to create a new exception to the on sale bar. Specifically, Evans asks us to rule that an otherwise invalidating offer for sale does not invalidate a patent "where a third party surreptitiously steals an invention while it is a trade secret and then, unbeknownst to the inventor, allegedly puts the inven-

tion on sale [more than one year] before the inventor files a patent application covering the stolen invention."

Evans cited three Supreme Court cases and asserts that they state that prior use of an invention by one who misappropriates the invention cannot invalidate a patent. *See Pennock v. Dialogue*, 27 U.S. (2 Pet.) 1, 19-20 (1829) ("[I]f before his application for a patent his invention should be pirated by another, or used without his consent; it can scarcely be supposed, that the legislature had within its contemplation such knowledge or use . . . The use here referred to has always been understood to be a public use, and not a private or surreptitious use in fraud of the inventor."); *Shaw v. Cooper*, 32 U.S. (7 Pet.) 292, 319-20 (1833) ("But there may be cases, in which a knowledge of the invention may be surreptitiously obtained, and communicated to the public, that do not affect the right of the inventor. . . . If the right were asserted by him who fraudulently obtained it, perhaps no lapse of time could give it validity."); *Kendall v. Winsor*, 62 U.S. (21 How.) 322, 329 (1859) (affording immunity from suit to prior third party users of a patented invention but refusing to extend such immunity to those who received knowledge of the patented invention through fraud). Evans argues that these Supreme Court cases have never been expressly overruled and, in fact, the one time the Court of Customs and Patent Appeals addressed the issue it expressly left it open, stating:

> We do not find it here necessary to decide whether a fraudulent use of an invention for more than two years [then the bar period] prior to an application for a patent therefor bars the issue of the patent upon such application . . . . It may be that . . . said Minerals Separation should have been held to be estopped

> to bring a public use proceeding. But even so, as to this we express no opinion. . . .

In re Martin, 74 F.2d 951, 955-56 (CCPA 1935).

We, however, do not find any of these cases dispositive of the issue presented by this case. In *Pennock*, the Supreme Court actually invalidated the patents in suit under the public use bar, and in that case the use had been with the permission of the patentee, thereby rendering any statements regarding piracy mere dicta. Likewise, the statements relied on by Evans in *Shaw* are dicta, as there too the patent was invalidated because the innocent public had come to know and use the invention, although there was some evidence that the invention had first become known to the public by fraudulent means. The statutory on sale bar wasn't even in issue in *Kendall*. Rather, the issue was whether the defendant had the right to continue to use the invention after the patent issued. *See also Eastman v. Mayor of N.Y.*, 134 F. 844, 852-55 (2d Cir. 1904) (discussing whether "fraudulent, surreptitious, or piratical" use of an invention could raise the public use bar and rejecting statements in above Supreme Court cases as dicta).

We note as well that the one other court that has addressed this precise issue has rejected arguments similar to Evans' arguments. *See Lorenz v. Colgate-Palmolive-Peet Co.*, 167 F.2d 423, 77 USPQ 138 (3d Cir. 1947). There, the court addressed the following question: "Was it the intention of Congress that public use by one who employs a process in breach of a fiduciary relationship, who tortiously appropriates it or who pirates it, should bar the inventor from the fruits of his monopoly?" 167 F.2d at 426, 77 USPQ at 141. Lorenz had disclosed his invention to Colgate. Although Colgate told Lorenz the

idea was rejected, it later made substantial commercial use of Lorenz's invention and then sought to invalidate Lorenz's patent based on this use. *Id.* at 424-25, 77 USPQ at 140-41. After reviewing the Supreme Court and other relevant case law, the court rejected an exception to the statutory bar, stating:

> The prior-public use proviso . . . contains no qualification or exception which limits the nature of the public use. We think that Congress intended that if an inventor does not protect his discovery by an application for patent within the period prescribed by the Act, and an intervening public use arises from any source whatsoever, the inventor must be barred from a patent or from the fruits of his monopoly, if a patent has issued to him. There is not a single word in the statute which would tend to put an inventor, whose disclosures have been pirated, in any different position from one who has permitted the use of his process. . . [I]solated instances of injustice may result if the law be strictly applied, but the inventor's remedy is sure. He is master of the situation and by prompt action [in filing a patent application] can protect himself fully and render the defense of prior public use impossible.

Id. at 429-30, 77 USPQ at 144 (footnote omitted). Although this decision is not binding on this court, it is persuasive.

Even if we were to create an exception to the on sale bar such that third parties accused of misappropriating an invention could not invalidate a patent based upon sales by the guilty third party, GM correctly asserts that *Martin* squarely holds that activities of third parties uninvolved in the alleged misappropriation raise the statutory bar, even if those activities are instigated by

the one who allegedly misappropriated the invention. In *Martin*, Martin's employer stole Martin's invention and filed an application on it and disclosed it to a third party. 74 F.2d at 952-53. After learning of his employer's activities, Martin filed his own application. After an interference was declared, the employer argued Martin's application was barred based on the activities of the third party. Martin conceded his invention had been in public use, but argued that the bar should not apply because the third party's use was "instigated by [his] employer and was a surreptitious and fraudulent public use against him" *Id.* at 953. After reviewing the Supreme Court and other relevant case law, the Court of Customs and Patent Appeals noted it had "been unable to find any authoritative decisions upon the question of whether a fraudulent public use of an invention . . . prior to the filing of an application . . ., or such public use of an invention instigated by fraud, bars the issuance of a patent . . ." *Id.* at 955. Although the Court of Customs and Patent Appeals did not address that precise issue, the Court of Customs and Patent Appeals did hold that allowance of the application was barred because the third party's public use had been innocent, even though it had obtained the technology from the employer. *Id.*

As discussed below, this holding is dispositive here because, although Evans has charged GM with misappropriation, it has never contended that the independent dealers had any participation in or knowledge of the alleged theft; nor is there any indication that Mr. Najarian had such knowledge. Thus, the independent dealers are innocent users who put the invention on sale by placing orders for innocent retail customers like Najarian.

While such a result may not seem fair, Evans is not without recourse if GM in fact misappropriated his invention. Evans would have an appropriate remedy in state court for misappropriation of a trade secret. We note as well that the facts Evans alleges in support of its misappropriation claim demonstrate that Evans knew GM stole the invention at the very time it was allegedly stolen because during the demonstration GM employees allegedly told Mr. Evans they intended to steal the invention and a sealed room was unsealed during the night between the tests. Evans' patent rights would have nevertheless been protected if Mr. Evans had filed a patent application no more than one year from the date of the demonstration. This he did not do; instead Mr. Evans waited for more than two years after the demonstration and some six years after it was reduced to practice.

CONCLUSION

The '636 patent is invalid due to the pre-critical date contract entered into between the independent GM dealership and Mr. Najarian whereby the dealership offered to sell and Mr. Najarian agreed to buy a 1992 Corvette containing the LT1 engine. Even if GM misappropriated the idea behind the LT1 engine cooling system from Mr. Evans, the invention was nevertheless on sale and we decline to create the suggested new exception to the 102(b) bar which has no basis in the language of the statute. The trial court's decision is therefore affirmed.

AFFIRMED

[Dated September 30, 1996]

UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT

EVANS COOLING SYSTEMS, INC. and PATENT ENFORCEMENT FUND, INC.,	:	
	:	CASE NO.
Plaintiffs,	:	3:94CV35 (RNC)
v.	:	
GENERAL MOTORS CORPORATION,	:	
Defendant.	:	

ENDORSEMENT RULING AND ORDER

This is a patent infringement case. The patent at issue, U.S. Patent No, 5,255,636 (the "'636 patent") claims an apparatus and method for cooling an internal combustion engine. Plaintiffs allege that General Motors Corporation has infringed the patent by making and selling cars, such as the 1992 Corvette, that contain an "LT1 engine cooling system."[1] GM has moved for summary judgment [doc. #117] on the ground that it placed the 1992 Corvette with its LT1 engine cooling system "on sale" more than one year before July 1, 1992, the day the application for the '636 patent was filed. After careful consideration of the parties' briefs and oral arguments, GM's motion for summary judgment is granted.

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[1] Plaintiffs contend that GM stole the "technology" from the named inventor, John W. Evans. Evans has sued GM in a separate action for misappropriation of trade secrets.

An inventor who does not promptly seek a patent runs the risk of losing the right to obtain a patent. Under 35 U.S.C. § 102(b), an inventor loses his or her right to obtain a patent if the invention was "on sale" more than one year prior to the date of the patent application. The on sale bar "is not limited to sales by the inventor or one under his control, but may result from activities of a third party." *J.A. LaPorte, Inc. v. Norfolk Dredging Co.*, 787 F.2d 1577, 1581 (Fed. Cir.), cert. denied, 479 U.S. 884 (1986); *In re Caveney*, 761 F.2d 671, 675 (Fed. Cir. 1985).

In this case, summary judgment is appropriate because the record establishes that GM and its dealers placed the 1992 Corvette with its LT1 engine cooling system on sale more than a year before the patent application was filed. It is undisputed that on June 13, 1991, a retail customer named Najarian entered into a contract with a GM dealer relating to the purchase of a 1992 Corvette with the LT1 engine cooling system. In executing the contract, the dealer "agree[d] to sell" and the customer "agree[d] to purchase" a 1992 Corvette with an "LT1" engine. The customer paid a deposit of $500 and the dealer transmitted the order to GM.[2]

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[2] GM contends that the Najarian transaction is typical of hundreds of orders for 1992 Corvettes with the LT1 engine cooling system that were placed by retail customers prior to the critical date of July 1, 1991. Computer records show that as of June 30, 1991, GM received from its dealers a total of 2,078 orders for 1992 Corvettes with the LT1 engine cooling system. Of those, 318 were placed for specifically identified retail customers and marked "sold." Under § 102(b), a single offer to sell is enough to bar patentability. *A.B. Chance Co. v. RTE Corp.*, 854 F.2d 1307, 1311 (Fed. Cir. 1988).

Plaintiffs contend that the on sale bar does not apply to the Najarian transaction because the dealer's agreement to sell was merely a step in preparation for a sale and not an offer to sell. *See Intel Corp. v. U.S. Int'l Trade Comm'n*, 946 F.2d 821, 830 (Fed. Cir. 1991). However, an offer to sell will raise the on sale bar even though the product is not on hand and ready for delivery. *See Barmag Barmer Maschinefabrik AG v. Murata Mach., Ltd.*, 731 F.2d 831, 837 (Fed. Cir. 1984). Moreover, the dealer's agreement to sell went beyond the level of merely indefinite or nebulous discussions about a possible sale. *TRW Fin. Sys., Inc. v. Unisys Corp.*, 835 F. Supp. 994, 1003 (E.D. Mich. 1993). It is undisputed that the dealer, in entering into the transaction, intended to deliver the car to the customer when it became available. *See* Transcript of Oral Argument of May 10, 1996, at 61.

Though this case involves sales activities by third parties, rather than the inventor or someone under his control, the policies underlying the on sale bar justify its application here.[3] Plaintiff Evans, the inventor named in the '636 patent, claims that he reduced the patented cooling system to practice by July 1986. However, he did

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[3] In determining whether the on sale bar applies, it is necessary to consider the policies underlying the bar. *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 549 (Fed. Cir. 1990). They are: (1) a policy against removing inventions from the public domain that the public has justifiably come to believe are freely available due to commercialization by the inventor or others; (2) a policy favoring prompt and widespread disclosure of inventions to the public; (3) a policy against allowing an inventor to extend the patent period; and (4) a policy of giving an inventor a reasonable time following sales activity to determine whether a patent would be worthwhile.

not file an application for a patent until approximately six years later.[4] By the time Evans filed his application, GM's dealers and retail customers had come to believe that the 1992 Corvette and its LT1 engine cooling system were freely available.[5] In these circumstances, application of the on sale bar serves the important policy of encouraging early filing of patent applications as well as the policy against removing inventions from the public domain. *See J.A. LaPorte, Inc.*, 787 F.2d at 1583; *In re Caveney*, 761 F.2d at 676.

GM argues that summary judgment is also appropriate because the claimed invention was in "public use" more than a year before the patent application was filed. 35 U.S.C. § 102(b). It is undisputed that in May and June 1991, numerous 1992 Corvettes with the LT1 engine cooling system were driven by test drivers on public highways and roads. Because summary judgment is appropriate based on the on sale bar, it is unnecessary to address this question whether summary judgment would also be appropriate based on the public use bar.

Accordingly, defendant's motion for summary judgment is hereby granted.

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[4] Plaintiffs contend that Evans did not attempt to commercialize or file a patent application on his invention because he was testing the technology, working on related technology, was in poor financial condition and could not obtain financial backing.

[5] At his deposition, Evans testified that he was prompted to file the application after learning in September 1991 that GM had disclosed his "technology" to the public.

So ordered.

Dated at Hartford, Connecticut this 30th day of September 1996.

Robert N. Chatigny
United States District Judge

App. 19

[Dated November 4, 1996]

UNITED STATES DISTRICT COURT

DISTRICT OF CONNECTICUT

EVANS COOLING SYSTEMS, INC. AND PATENT ENFORCEMENT FUND, INC.	:	
	:	CASE NO.
v.	:	3:94CV-35(RNC)
GENERAL MOTORS CORPORATION	:	

JUDGMENT

This action having come on for consideration of the defendant's motion for summary judgment before the Honorable Robert N. Chatigny, United States District Judge and,

The Court having considered the full record of the case including applicable principles of law, and having filed an Endorsement Ruling and Order granting the motion, it is therefore,

ORDERED, ADJUDGED, and DECREED that judgment be and is hereby entered in favor of the defendant.

Dated at Hartford, Connecticut, this 4th day of November, 1996.

KEVIN F. ROWE, Clerk

By:_____

Robin D. Tabora
Deputy in Charge

(2)

FILED
JAN 22 1998
CLERK

No. 97-1038

IN THE

Supreme Court of the United States

OCTOBER TERM, 1997

EVANS COOLING SYSTEMS, INC.
and PATENT ENFORCEMENT FUND, INC.,

Petitioners,

v.

GENERAL MOTORS CORPORATION,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF IN OPPOSITION

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23 pp

QUESTION PRESENTED

Did the Federal Circuit err in declining to create a new "allegation of misappropriation" exception to the on sale bar to patentability that has never been recognized by this Court or any other court, where innocent third parties placed the alleged invention on sale to the public more than one year before the patent application was filed?

RULE 29.6 STATEMENT

Pursuant to Supreme Court Rule 29.6, General Motors Corporation advises the Court that the following is a list of General Motors' non-wholly-owned subsidiaries as reported to the Securities and Exchange Commission in Exhibit 21 to General Motors' Form 10-K Annual Report for the year ended December 31, 1996:

Asset Leasing GmbH
Carus Grundstucks-Vermietungsgesellschaft mbH & Co.
General Motors GmbH & Co. OHG
Opel-Automobilwerk Eisenach-PKW GmbH
Contro Toonico Herramental, S.A. de C.V.
Packard Electric Hebi Co., Limited
Packard Electric Bai Cheng Co., Limited
Delphi Italia Automotive Systems S.r.l.
Delphi Italia Service Center S.r.l.
DRB s.a./n.v.
Opel France S.A.
ENCI S.A.R.L.
Texton P.L.C.
Delphi Harrison
Delphi L'EM Argentina S.A.
Reinshagen Tournai S.A.
GM Ovonic L.L.C.
Banque Opel
General Acceptance (Thailand) Ltd.
Holden National Leasing Limited
GM Finance HB
OPEL Leasinggesellschaft mbH
Polbank, S.A.
P.T. GMAC Lippo Finance
General Motors de Argentina S.A.
Beijing Wanyuan GM Automotive Electronic Control Co., Ltd.

RULE 29.6 STATEMENT
(continued)

Hubei Delphi Automotive Generator Co., Ltd.
Saginaw Norinco Lingyun Drive Shaft Co., Ltd.
Zhejiang Delphi Asia-Pacific Brake Co. Ltd.
General Motors Colmotores, S.A.
IBC Vehicles Limited
Millbrook Pension Management Ltd.
DIRECTTV Enterprises, Inc.
IBC Vehicles (Distribution) Limited
GM-Saab Communication GmbH
Packard CTA Pty. Ltd.
Packard Electric Systems Samara Cable Company
PT General Motors Buana Indonesia
P.T. Packard Kabelindo Murni Indonesia
Radiodores Richard, S.A.

In addition, General Motors has recently acquired an interest in:

PanAmSat Corporation
NETSAT Express, Inc.
LLC ELAZ-GM Corporation
Delphi Saginaw NSK Co., Ltd.
NSK Ltd.
Sodex
Flip Chip Technologies, L.L.C.
Aegis Technologies, L.L.C.
ProSTEP GmbH
ISF Internationale Schule Frankfurt
Geschaeftsfuehrungs GmbH
ISF Internationale Schule Frankfurt GmbH & Co. KG
SurFin Ltd.
DIRECTV Japan Kabushiki Kaisha
Shanghai Saginaw Dongfeng Steering Gear Co., Ltd.

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(continued)

Delphi Chassis Systems Poland Sp.z.oo.
Autohaus am Nording GmbH
Aisin GM Allison Co., Ltd.

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COUNTER STATEMENT OF THE CASE

Because Petitioners' statement of the case mischaracterizes both the record before and the decision of the U.S. Court of Appeals for the Federal Circuit, Respondent General Motors Corporation presents this counter statement of the case.

A. Nature of the case. The U.S. District Court for the District of Connecticut (Chatigny, J.) granted summary judgment for General Motors under the on sale bar, 35 U.S.C. § 102(b), thereby invalidating Evans' U.S. Patent No. 5,255,636 (the "'636 patent"). The Federal Circuit affirmed that ruling on appeal, specifically holding that Petitioners' allegation of trade secret misappropriation by GM had no effect on the invalidating nature of the pre-critical date sales activity between independent car dealers -- whom Evans has never contended had any involvement in, or awareness of, the alleged misappropriation -- and the retail public.

B. Evans delayed six years before filing for the '636 patent. The application that led to the '636 patent was filed on July 1, 1992. Pet. 2. However, Evans allegedly conceived the underlying invention back in 1984 and claims to have reduced it to practice in 1986. Pet. 5. According to Petitioners' brief to the Federal Circuit, Evans did not seek patent protection thereafter because he "believed that his invention was of only marginal public interest." Thus, Evans took absolutely no steps to bring any benefits of his alleged invention to the public by filing a patent application until he learned of the sale of the accused GM engine cooling system. Pet. 10.

C. Independent car dealers placed the accused engine cooling system on sale more than one year before the patent application was filed. The accused engine cooling

system is associated with General Motors' LT1 engine. The first commercial General Motors car to employ the LT1 engine was the 1992 Corvette.

The on sale event that the Federal Circuit found dispositive involved a retail transaction between an independent Corvette dealer in West Bloomfield, Michigan and a customer named Aram Najarian in June 1991. As found by the trial court and reiterated by the Federal Circuit on appeal, "It is undisputed that on June 13, 1991, a retail customer named Najarian entered into a contract with a GM dealer relating to the purchase of a 1992 Corvette with the LT1 engine cooling system. In executing the contract, the dealer 'agree[d] to sell' and the customer 'agree[d] to purchase' a 1992 Corvette with an 'LT1' engine. The customer paid a deposit of $500 and the dealer transmitted the order to GM." App. 15; *see also* App. 5.

The Najarian transaction was just one of over two thousand orders involving the 1992 Corvette before the critical date. As the Federal Circuit detailed: "GM sent an 'Order Guide' for the 1992 Corvette to its independent dealers in late April or early May, 1991 to be used for ordering the vehicle described in the Order Guide. At about the same time, GM sent its dealers a supplemental brochure that provided additional ordering information for the 1992 Corvette, specifically stating that the car had reverse flow engine cooling [the subject matter of the alleged invention]. A representative of GM testified that it expected the dealers would start ordering the vehicles as soon as the Order Guide was sent to them. A sales representative at a GM dealership also testified that it was the dealership's common practice to order new cars and enter into agreements to sell new cars shortly after receiving the Guide. GM produced computer records documenting over 2000 orders placed by dealers around the country for the 1992 Corvette before the critical date." App. 2-3. Over 300 of the pre-critical date orders

"were placed on behalf of specific retail customers" like Najarian. App. 3.

D. Petitioners' spurious trade secret allegations. The basis for Petitioners' argument in this Court is a trade secret lawsuit that Evans brought against General Motors and that is pending in Connecticut state court. Evans' allegations in that action completely lack merit, as shown by a series of dated engineering documents demonstrating that GM's LT1 engine cooling system had been fully and independently developed before the time when Evans alleges that the trade secret theft took place.

Accordingly, Evans' assertion that "GM did not contest that there is sufficient evidence to present a triable issue of fact as to whether it had misappropriated Evans' invention" (Pet. 3) is absolutely wrong. General Motors has always contended that there is *no* evidence that supports Evans' allegation; in the courts below, GM argued successfully that there was no need for any inquiry into the factual basis of Evans' allegation of misappropriation because that allegation was irrelevant as a matter of law to the validity of the '636 patent.

E. The Federal Circuit found Petitioners' allegation of misappropriation against GM irrelevant in light of the sales activities of independent car dealers. After reviewing the overwhelming evidence of pre-critical date sales activity, as set forth above, the Federal Circuit "easily discarded" Petitioners' argument that the accused product was not on sale as a matter of law. App. 7. Accordingly, the Federal Circuit held that the Najarian transaction -- made "nearly a month prior to the critical date -- evidences an effective offer for sale that invalidates the '636 patent." App. 8.

The court below then turned to Petitioners' request that it create a "new exception" to the on sale bar based on Evans'

allegation of misappropriation. App. 8. The Federal Circuit first considered the Supreme Court cases cited by Petitioners in this Court and found none of them "dispositive" of the issue before it. App. 9-10. The Federal Circuit next considered the reasoning of "the one other court that has addressed this precise issue" and termed "persuasive" that court's rejection of the exception sought by Petitioners. App. 10-11.

The Federal Circuit then held that "[e]ven if [it] were to create an exception to the on sale bar such that third parties accused of misappropriating an invention could not invalidate a patent based upon sales by the guilty third party," that exception would not prevent the bar from applying here. Specifically, the court explained that *In re Martin*, 74 F.2d 951 (C.C.P.A. 1935), "squarely holds that activities of third parties uninvolved in the alleged misappropriation raise the statutory bar, even if those activities are instigated by" the alleged misappropriator. App. 11-12. Noting that Petitioners had "never contended that the independent dealers had any participation in or knowledge of the alleged theft," the Federal Circuit held that the on sale bar was raised by the innocent dealers "by placing orders for innocent retail customers like Najarian." App. 12.

REASONS FOR DENYING THE WRIT

The petition for a writ of certiorari should be denied. Petitioners flatly misstate the decision below by asserting that it turned on the sales activities of General Motors, the party accused of misappropriation, rather than those of the independent dealers. As a result, Petitioners advance a question that is not presented by the decision below and place exclusive reliance on a supposed rule of this Court's cases that is not even implicated by the decision below. In any event, the decision below reflects sound patent policy and is fully consistent both with the decisions of this Court and with the results of every

reported decision of any court that has ever considered the esoteric issue raised by Petitioners.

A. The Question Presented by Petitioners is Not Raised by the Decision Below.

Petitioners assert that this case presents the question whether "a patent [can] be invalidated by a party who ... steals an invention ... and puts the invention on sale more than one year before the inventor files a patent application." Pet. i. But that question was not decided by the court below and accordingly is not presented for review by this Court. Instead, as the Federal Circuit repeatedly made clear, its holding turned not on the sales activities of General Motors -- the "party who ... [allegedly] st[ole] an invention" -- but rather on the sales activities of third party independent dealers. *See* App. 8, 11-12, 13. The Federal Circuit explicitly *declined* to "reach or decide" the legal import of GM's own sales activities. App. 8.

Further, the court below expressly recognized that the case does not present the issue urged on this Court by Petitioners. The Federal Circuit held that the '636 patent would be invalid under the on sale bar in light of the sales activities of the independent dealers "[e]ven if we were to create an exception to the on sale bar such that third parties accused of misappropriating an invention could not invalidate a patent based upon sales by the guilty third party." App. 11. In other words, even if this Court granted certiorari and decided Petitioners' proffered question in their favor, the Federal Circuit's judgment of patent invalidity would stand. Because the sole issue put forth by Petitioners is not raised by the decision below, the petition necessarily must be denied.

B. The Decision Below Does Not Conflict with This Court's Precedent.

1. The supposed rule of this Court urged by Petitioners is inapposite.

Just as the question stated by Petitioners is not presented by the decision below, the supposed rule of this Court put forth by Petitioners is not implicated by the decision below. The gravamen of the petition is the assertion that the Federal Circuit's opinion conflicts with binding precedent from this Court establishing that "surreptitious and fraudulent use of an invention *by a misappropriator* of the invention cannot invalidate an inventor's patent on the invention." Pet. at 11 (emphasis added). But, as just noted, the Federal Circuit did not hold the '636 patent invalid based on the sales of the alleged misappropriator. Accordingly, even if this Court's cases had established the rule that Petitioners assert they did, the Federal Circuit's decision would in no way conflict with that rule. This circumstance completely negates Petitioners' argument for certiorari.

2. The cases cited by Petitioners either support the decision below or are dicta.

Moreover, the four 19th Century cases of this Court cited by Petitioners did not establish the rule alleged by Petitioners but rather either support the Federal Circuit's decision or at most contain only dicta on the subject at issue. In the first case, *Pennock v. Dialogue*, 27 U.S. (2 Pet.) 1 (1829), this Court actually invalidated the patent-in-suit under the public use bar. *Id.* at 23-24. In addition, the invalidating use had been with permission of the patentee. *Id.* at 4-5. For both reasons, any statements in *Pennock* regarding the application of the statutory bars where there had been fraud or piracy are dicta.

Shaw v. Cooper, 32 U.S. (7 Pet.) 292 (1833), is more pertinent because it did involve allegations that the invention was first disclosed to the public through piracy. *Id.* at 311. Nonetheless, this Court *still* invalidated the patent at issue under the public use bar because the innocent public had come to know the invention, even if through piracy. *Id.* at 323 ("Whatever may be the intention of the inventor, if he suffers his invention to go into public use through any means whatsoever, without an immediate assertion of his right he is not entitled to a patent ....") (footnote omitted). Thus, not only are any comments in *Shaw* concerning when the statutory bar might *not* apply mere dicta, but the result in *Shaw* fully supports the Federal Circuit's decision.

As in *Pennock* and *Shaw*, this Court invalidated the patent at issue in *Andrews v. Hovey*, 124 U.S. 694 (1888), under the statutory bars. Furthermore, the Court concluded its analysis in *Andrews* by holding that the language of Section 102(b)'s predecessor "seems to us to clearly intend that ... the patent shall be held to be invalid, without regard to the consent or allowance of the inventor. Otherwise the statute cannot be given its full effect and meaning." *Id.* at 719.

The case most heavily relied on by Petitioners, *Kendall v. Winsor*, 62 U.S. (21 How.) 322 (1858), did not even involve the issue of patent validity, let alone the statutory bars. Instead, *Kendall* concerned a now-defunct provision of the Patent Act of 1839 that afforded prior third-party users the right to continue using an invention after it was patented by someone else. *See id.* at 325-26. The Federal Circuit viewed these differences as dispositive. *See* App. 10 (declining to give weight to *Kendall* because "[t]he statutory on sale bar wasn't even in issue" there). As the appellate court with specialized expertise on the Patent Code, the Federal Circuit is particularly well-qualified to determine whether the language of *Kendall* has any import in this completely different context.

Indeed, there is a crucial difference between the statute at issue in *Kendall* and the on sale bar. The defunct prior-user provision created a private right for the particular individual who used an invention before it was patented by another. In that context, the equitable standing of the individual prior user had understandable importance. By contrast, the on sale bar benefits the public at large by encouraging early disclosure of inventions to the public and by preventing the patenting of inventions already in the public domain. *See UMC Elecs. Co. v. United States*, 816 F.2d 647, 652 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 1025 (1988). Accordingly, it does not make sense for the bar to turn on the character of the particular party that causes the disclosure of the invention to the public. *Cf. Martin*, 74 F.2d at 956 (holding that "it clearly was proper ... for the Patent Office tribunals, representing the public, to take cognizance of" a public use instigated by a party accused of misappropriation).

As noted above, the Federal Circuit considered the cases cited by Petitioners and determined that none was controlling before affirming the invalidation of Petitioners' patent. App. 10. Importantly, this conclusion is the uniform judgment of history. Every court this century that has considered the effect of alleged misappropriation on the statutory bars has concluded that the cases cited by Petitioners are not controlling. *See Lorenz v. Colgate-Palmolive-Peet Co.*, 167 F.2d 423 (3d Cir. 1948) (reviewing the Court's 19th Century cases and holding that no exception to the statutory bars exists for activities that result from fraud or piracy); *Martin*, 74 F.2d at 955 (stating that none of the cases was "authoritative" regarding the effect of allegations of misappropriation on the statutory bars); *Eastman v. Mayor of N.Y.*, 134 F. 844, 852-55 (2d Cir. 1904) (discussing whether "fraudulent, surreptitious, or piratical" use of an invention could raise the statutory bars and rejecting the cases as either dicta or having only a "remote bearing on the questions now in issue").

The supposed conflict with this Court's cases trumpeted by Petitioners simply does not exist.

3. This Court's decision in *Kewanee Oil* strongly supports the decision below.

Indeed, this Court's most recent discussion of the effect of trade secret misappropriation on the statutory bars strongly supports the decision below. In *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974), the Court faced the question whether the patent law preempted state trade secret protection. In holding that there was no such general preemption, the Court relied upon the observation that the risk that "holders of patentable inventions would not seek patents, but rather would rely on the state [trade secret] protection" was not substantial because state trade secret laws provided "far weaker protection in many respects than the patent law." *Kewanee Oil*, 416 U.S. at 489-90. Specifically, the Court recognized that an inventor who opts to maintain an invention as a trade secret rather than file for a patent assumes several risks, including the "substantial risk that the secret will be passed on to his competitors, by theft or by breach of a confidential relationship." *Id.* at 490. In light of this risk, the Court concluded:

> "The possibility that an inventor who believes his invention meets the standards of patentability will sit back, rely on trade secret law, and *after one year of use forfeit any right to patent protection, 35 U.S.C. § 102(b)*, is remote indeed." *Id.* (emphasis added).

The Court's conclusion was premised on the belief that use by a misappropriator would constitute a statutory bar; otherwise, it would not have made sense to speak of the forfeiture under section 102(b) of the right to seek a patent as a risk attendant to trade secret theft.

Relatedly, Petitioners' complaint about the relative weakness of trade secret protection (Pet. 19-20) is not well taken since it was Evans who made the choice to rely on trade secret protection for six years rather than filing for a patent. Indeed, as *Kewanee Oil* makes clear, it is that relative weakness that makes state trade secret laws constitutional.

C. The Decision Below Does Not Conflict with Any Lower Court Decision.

Not only does the decision below not conflict with the 19th Century Supreme Court cases cited by Petitioners, but the decision below also does not conflict with the decision of any lower court. Petitioners' request for an "allegation of misappropriation" exception presented a question of first impression for the Federal Circuit, and the decision below was unanimous. Therefore, there is no conflict within the Federal Circuit. *Compare with Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 117 S. Ct. 1040, 1046 (1997) (certiorari granted where three dissenting opinions involved five of twelve Federal Circuit judges).

Moreover, the decision below accords with the decisions of the few other lower courts that have considered the issue. Only three previous reported decisions directly addressed the issues raised by this case. In *Lorenz*, the Third Circuit flatly rejected an exception to the statutory bars and held that public use by a party accused of misappropriation invalidated the patent-in-suit. *See Lorenz*, 167 F.2d at 429-30. The *Lorenz* holding was adopted by the Court of Claims in *Gearon v. United States*, 121 F. Supp. 652, 654-55 (Ct. Cl. 1954), *cert. denied*, 348 U.S. 942 (1955), which held that an inventor whose idea had been stolen by the U.S. Army lost the right to a patent by virtue of the Army's use and subsequent publication of the idea. Finally, in *In re Martin*, the Court of Customs and Patent Appeals held that activity by a third party, not alleged to have

participated in any misappropriation, invalidated a patent under the statutory bars even if that party obtained the technology directly from a misappropriator. *Martin*, 74 F.2d at 955. (Although the Second Circuit ultimately decided *Eastman* on other grounds, its discussion left little doubt that it, too, would have rejected a misappropriation exception to the statutory bars. *See Eastman*, 134 F. at 854.)

There is not a single case from any court whose holding conflicts with the decision below. Accordingly, there is no confusion or uncertainty in the law that warrants this Court's intervention.

D. The Issue Raised by Petitioners is Not of Broad Significance.

Whether an allegation of misappropriation ever has any effect on the application of the statutory bars has arisen in the federal courts (at least as reflected in reported decisions) on only five occasions this century -- *Eastman*, *Martin*, *Lorenz*, *Gearon*, and the decision below. Thus, in contrast to such issues as claim interpretation (*see Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996)) and the doctrine of equivalence (*see Warner-Jenkinson Co.*, 117 S. Ct. 1040), which are implicated in virtually every patent case, Petitioners' issue stands (if it stands anywhere at all) at the very periphery of the patent laws. There is no call for this Court to use its limited resources to consider this rare and isolated issue.

E. In Any Event, the Decision Below was Correct.

Finally, this case does not warrant review because the Federal Circuit's decision was plainly correct. In the first place, there is nothing in the language of Section 102(b) that supports the exception sought by Petitioners. *See* 35 U.S.C. § 102(b); *see also* App. 13 (noting that the exception sought by Petitioners

"has no basis in the language of the statute"). Accordingly, settled notions of statutory construction dictate that the statute's plain meaning be respected. *See, e.g., Diamond v. Chakrabarty*, 447 U.S. 303, 308 (1980) ("Courts 'should not read into the patent laws limitations and conditions which the legislature has not expressed'") (citation omitted). As noted above, this Court made precisely this point in *Andrews v. Hovey*. *See* 124 U.S. at 719.

Moreover, Petitioners' proposed exception would conflict with the policies behind both the patent code in general and the statutory bars in particular. The fundamental purpose of the patent laws is to increase the common good by making more and better technologies available to the public. *See Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 151 (1989). This purpose is directly furthered by the statutory bars through the incentive they create to file for a patent promptly, leading to early public disclosure of inventions. *See LaBounty Mfg. v. United States Int'l Trade Comm'n*, 958 F.2d 1066, 1071 (Fed. Cir. 1992). Evans scorned the goal of prompt filing by delaying his patent application for six years after reducing his alleged invention to practice, three years after suspecting that GM had misappropriated his invention, and more than one year after the accused device was placed on sale to the public. Application of the on sale bar here therefore properly furthers the aim of encouraging prompt filing.

Petitioners argued in their papers to the Federal Circuit that Evans' delay in filing is explained by the fact that Evans was "unaware of any public interest in his aqueous system" until General Motors introduced the 1992 Corvette. This purported "excuse" is actually a powerful reason to apply the bar here, for it is directly antithetical to long-settled patent policy. *See, e.g., Mason v. Hepburn*, 13 App. D.C. 86 (D.C. Cir. 1898) (holding that a prior inventor was not entitled to benefit from the patent laws where he "attached no importance" to an invention until

learning of the work of a subsequent inventor because "the inventor, who ... withholds his invention from the public, comes not within the policy or objects of the Constitution or acts of Congress.") Perhaps that is why Evans now claims his delay was caused by being unable to afford filing a patent application. Pet. 18. That excuse rings hollow, however, given that Evans *did* file several other patent applications during the period at issue.

The proposed exception would also violate another important policy of the statutory bars by removing technology from the public domain. *See In re Caveney*, 761 F.2d 671, 676 (Fed. Cir. 1985). By June 30, 1991, hundreds of retail customers like Najarian had ordered cars containing the LT1 engine cooling system and accordingly had come to believe that the accused system was freely available. Application of the bar here ensures that this reasonable expectation is not frustrated.

The proposed exception would also have far-reaching and pernicious consequences. Under Petitioners' argument, it would be possible to obtain a valid patent on an invention that had been in public use or on sale for many years as long as the original communication of the invention to the public arguably resulted from some act of misappropriation.

Finally, the exception sought by Petitioners is not needed to ensure individual equity. As the Federal Circuit noted, Evans has "an appropriate remedy" in the still-pending state court proceeding "if GM in fact misappropriated his invention." App. 13. Petitioners argue that they have been wronged because the invalidation of their patent results in third parties having royalty-free access to the alleged invention. Of course, that is *always* the result of application of the statutory bars; otherwise, there would be no incentive to file promptly. Like the rest of the petition, this argument does not establish why this Court should create a brand-new exception to the on sale bar.

CONCLUSION

For the foregoing reasons, the petition for writ of certiorari should be denied.

Dated: New York, New York
January 22, 1998

Respectfully submitted,

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(3)

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

OCTOBER TERM, 1997

EVANS COOLING SYSTEMS, INC. and PATENT ENFORCEMENT FUND, INC.,

Petitioners,

v.

GENERAL MOTORS CORPORATION,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY TO BRIEF IN OPPOSITION

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13 pp

LIST OF PARTIES AND RULE 29.6 STATEMENT

The parties to the proceeding are the parties shown in the caption of this Petition. The following are parent companies, subsidiaries and/or affiliates (except wholly owned subsidiaries) of certain corporate petitioners: Patent Enforcement Fund, Inc. is a subsidiary of Valutron N.V.

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The brief of Respondent, General Motors Corporation ("GM"), in opposition to the petition for a writ of certiorari incorrectly argues that the issue before this Court was not decided by the Court of Appeals, and incorrectly argues that the decision of the Court of Appeals does not conflict with this Court's precedents and the policies of patent and trade secret law, as discussed below.

I. The Court Of Appeals Held That GM's Trade Secret Misappropriation And Instigation Of An Offer For Sale By Its Dealer Does Not Prevent Application Of The On Sale Bar

The opinion below of the Court of Appeals specifically held,

> [W]e decline to create an exception to the on sale bar for those instances in which a third party misappropriates the invention and later places the invention on sale or causes an innocent third party to place the invention on sale. . .

App. 1-2. Therefore, contrary to GM's argument, the issue of whether the on sale bar should not apply because of GM's surreptitious and fraudulent theft of the invention of the patent-in-suit and placement of the invention on sale, including instigation of the alleged offer for sale by its dealer, was decided adversely to Petitioners by the Court of Appeals, and the decision must be reversed by this Court. GM's attempt to dodge this petition for a writ of certiorari by suggesting that the issue was not decided by the Court of Appeals is clearly unfounded.

II. The Decision Of The Court Of Appeals Conflicts With This Court's Precedents

GM's argument that the decision of the Court of Appeals is not in conflict with this Court's precedents is similarly unfounded. It is undisputed that GM is the manufacturer of the 1992 Corvette that was allegedly offered for sale by its dealers, including the dealer for the alleged Najarian order. Similarly, it is undisputed that GM instigated the alleged offer for sale by the dealer for the Najarian order by sending an "Order Guide" and brochure for the 1992 Corvette to the dealer in April or May, 1991. App. 2-3. Therefore, as discussed in Petitioner's opening brief, under this Court's precedents in *Pennock v. Dialogue*, 27 U.S. (2 Pet.) 1 (1829); *Shaw v. Cooper*, 32 U.S. (7 Pet.) 292 (1833); *Kendall v. Winsor*, 62 U.S. (21 How.) 322 (1859); and *Andrews v. Hovey*, 124 U.S. 694 (1888), the patent-in-suit should not be invalidated by the alleged sales activities of GM's dealers because such activities are clearly tied to and instigated by GM, the trade secret thief.

The Court of Appeals went to great lengths to attempt to distinguish this case from this Court's above-referenced precedents, and GM reiterates such distinctions in its opposition brief. However, the result of the decision of the Court of Appeals is to allow a trade secret thief to profit from his own wrong and destroy otherwise valid patent rights by instigating an offer for sale of the stolen invention. This result is clearly in conflict with this Court's above-referenced precedents, and must be reversed.

GM reiterates the reliance of the Court of Appeals on the fact that the statutory language at issue in *Kendall*

provided an immunity from suit for prior users of a patented invention, and the statutory language in issue was not an on sale or public use bar as in today's statute. However, such a distinction ignores the fact that the *Kendall* decision specifically reviewed and approved the earlier decisions of *Pennock* and *Shaw* wherein the Court clearly and unambiguously stated that a statutory public use bar cannot be invoked when the public use is instigated by a surreptitious fraud on the inventor. Further, this Court's later decision in *Andrews* specifically confirmed the principles in *Kendall* as they apply to the statutory public use bar that is analogous to today's statutory bar.

Similarly, this Court has already rejected GM's argument that "it does not make sense for the bar to turn on the character of the particular party that causes the disclosure of the invention to the public" (Brief, p. 8). This Court's above-referenced precedents hold that when the "character" who instigates the alleged barring event is a fraudulent and surreptitious misappropriator of the invention, as GM is here, then the true inventor will not be deprived of his patent rights.

GM goes on to argue that "[e]very court this century" that has considered this issue has not followed this Court's decisions in *Pennock, Shaw, Kendall* and *Andrews*, and that the "uniform judgment of history" is that such decisions of this Court are not controlling (Brief, p. 8). However, the decisions of this century to which GM is referring are lower court decisions, not this Court's decisions, which is no basis to reject this Court's long-standing precedents.

GM's argument that this Court's decision in *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974), confirms GM's view of "the uniform judgment of history" and effectively overrules, *sub silentio, Pennock, Shaw, Kendall* and *Andrews* is unfounded. *Kewanee* merely decided that state trade secret protection may coexist with the federal Patent Act, and did not purport to base its holding on the premise that a trade secret thief may invalidate otherwise valid patent rights with the fruits of misappropriation. To the contrary, *Kewanee* does not erode patent rights in any manner, and cannot be read to overrule this Court's above-referenced precedents.

Kewanee confirms that trade secret rights are "far weaker protection in many respects than patent law." 416 U.S. at 489-90. Such weakness in the trade secret laws emphasizes the inadequacy of relegating Petitioners to pursuit of a trade secret misappropriation action against GM in state court, and supports Petitioners' argument that this Court should not allow GM's trade secret misappropriation to destroy Petitioners' powerful exclusive patent rights.

Further, to the extent that lower court decisions and *Kewanee* are being used to justify a failure to follow this Court's precedents on this issue, this Court should put a stop to such practice. The Court should hear this case in order to reaffirm its above-referenced precedents as they apply to today's Patent Act.

III. GM's Other Arguments On The Merits Are Weak And Contrary To This Court's Precedents

GM argues that the statutory provision in question, 35 U.S.C. § 102(b), does not allow for an "exception" for trade secret misappropriation (Brief, p. 10), reiterating the Court of Appeals' same conclusion. App. 1, 13. However, this Court aptly disposed of this argument in *Pennock*, stating,

> [I]f before his application for a patent his invention should be pirated by another, or used without his consent; *it can scarcely be supposed that the Legislature had within its contemplation such knowledge or use . . . The use here referred to has always been understood to be a public use, and not a private or surreptitious use in fraud of the inventor.*

27 U.S. at 19, 20 (emphasis added). *See also Kendall*, 62 U.S. at 330.

Further, the alleged "absolute" statutory bar of § 102(b) is "softened" by other well-established doctrines, including the experimental use doctrine, *City of Elizabeth et al. v. American Nicholson Pavement Co.*, 97 U.S. 126, 137 (1878), and the doctrine of assignor estoppel, which bars an assignor of a patent from later challenging the validity of the assigned patent. *Diamond Scientific Co. v. Ambico, Inc.*, 848 F.2d 1220, 1224 (Fed. Cir. 1988).

Assignor estoppel, like the "shield of protection" that this Court interposes between "the inventor and the fraudulent spoliator," *Kendall*, 62 U.S. at 329, is an equitable doctrine that was developed to prevent unfairness and injustice, and to prevent one from benefitting from his own wrong. *Diamond Scientific*, 848 F.2d at 1224. An assignor of a patent implicitly represents that

the assigned patent rights are not worthless. To allow him to make that representation at the time of assignment and later to repudiate it would work an injustice against the assignee. Therefore, the assignor is barred from challenging the validity of the assigned patent because he "is not part of the general public but is apart from the general public." *Id.* (quoting from *Scott Paper v. Marcalus Mfg. Co.*, 326 U.S. 249, 261-62 (1945) (Frankfurter, J., dissenting)).

Similarly, a trade secret thief is "not a part of the general public but is apart from the general public," and should be barred or estopped from using the fruits of trade secret misappropriation to create a statutory bar regarding a patent obtained by the rightful holder of the trade secret.

GM further argues that it should be permitted to invalidate the patent-in-suit because the alleged delay of inventor John W. Evans ("Evans") in filing his patent application is antithetical to the policies of encouraging prompt filing of patent applications and preventing withdrawal of inventions in the public domain. However, this Court has already held that delay is permitted to test and develop the invention, *Kendall*, 62 U.S. at 328-29; *City of Elizabeth*, 97 U.S. at 137, and delay is permitted where the inventor is broke and does not abandon the invention. *Smith v. Goodyear Dental Vulcanite Co.*, 93 U.S. 486, 501 (1876); *Woodbury Patent Planing-Machine Co. v. Keith*, 101 U.S. 479, 485-86 (1880). As detailed in Petitioners' opening brief, Evans' delays in filing were for these reasons, and GM contributed substantially to such delays. Therefore, GM's repeated cries that Evans "relied" on trade secret protection, and "scorned the goal of

prompt filing" because he was "unaware of any public interest" in his invention, are factually unfounded, and not supported by the decision of the Court of Appeals.

GM's argument that the Court should be concerned about contravening the policy of preventing withdrawal of inventions from the public domain because "hundreds of retail customers . . . had come to believe that the accused system was freely available" is also factually unfounded. It is undisputed that none of GM's alleged customers had specific knowledge of the invention of the patent in-suit at the time they allegedly placed their orders. The 1992 Corvette had not yet been produced by GM. The only public information regarding the cooling system that was allegedly distributed by GM at that time was a general reference to a reverse flow cooling system contained in a brochure. App. 2. However, it is undisputed that the brochure did not disclose any details of the reverse flow cooling system. To the contrary, GM had gone to great lengths to keep such details confidential until after the critical date of July 1, 1991. Thus, the alleged concern over withdrawal of inventions from the public domain is non-existent here.

IV. The Policy Issues Raised Herein Are Significant

As discussed in Petitioners' opening brief, this Court should reverse the decision of the Court of Appeals in order to protect the policies of our patent and trade secret laws of fostering technological growth and industrial innovation. Allowing GM's theft and use of the invention to invalidate the patent-in-suit defeats such goals, and insidiously encourages and rewards trade

secret misappropriation as a means of technological and commercial advancement of both GM and the public.

In view of the obvious threat that the Court of Appeals' decision presents to the goals of our patent and trade secret laws, GM's argument that the policy concerns raised in this Petition are not of broad significance is unpersuasive. The fact that the specific issue has not been raised and decided more frequently by the lower courts is no evidence of the lack of importance of the issue. To the contrary, this Court has acknowledged the importance of maintaining integrity and encouraging invention in the commercial world by discouraging and not sanctioning trade secret misappropriation. *Kewanee*, 416 U.S. 482-83. As evidenced in this action, trade secret misappropriation is a disease that continues to spread, and it threatens to destroy the creative genius of individual inventors like John W. Evans, the inventor of the patent-in-suit.

Therefore, this Court should grant the petition and review this case to negate the adverse effects of the Court of Appeals' decision, and to preserve the integrity of our patent system and commercial world.

CONCLUSION

The Court of Appeals' decision is contrary to this Court's precedents that prevent a trade secret thief from invalidating a patent by fraudulent and surreptitious theft and use of the invention. The Court of Appeals' decision defeats the goals and impairs the integrity of our patent and trade secret laws by encouraging and rewarding thievery as a means for technological and

commercial advancement. Respondent GM, the self-professed world's largest corporation, and other trade secret thieves stand to benefit at the expense of "every-man" Evans and others like him from this decision. Petitioners pray that this Court grant Petitioners' writ, reverse the Court of Appeals' decision in order to reaffirm this Court's above-referenced precedents, which are as timely as ever, and reverse a grave injustice.

Respectfully submitted,

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